

Message Text

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ACTION AID-05

INFO OCT-01 NEA-06 ISO-00 COME-00 TRSE-00 XMB-02 IGA-01

EB-04 OMB-01 FRB-01 SP-02 SS-15 NSC-05 L-01 OPIC-06

AGR-05 SWF-01 CIEP-01 H-01 EUR-08 EA-06 SSO-00 NSCE-00

INRE-00 CIAE-00 INR-05 NSAE-00 RSC-01 SCI-02 INT-05

FEAE-00 DRC-01 CU-02 /088 W
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O R 181050Z OCT 74

FM AMEMBASSY DAMASCUS

TO SECSTATE WASHDC IMMEDIATE 1751

AMEMBASSY BEIRUT PRIORITY

AMEMBASSY ABU DHABI PRIORITY

INFO AMEMBASSY CAIRO

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY TEHRAN

C O N F I D E N T I A L SECTION 1 OF 2 DAMASCUS 2395

BEIRUT PASS BAGHDAD; KUWAIT PASS AS APPROPRIATE

DEPT PASS AID, COMMERCE, TREASURY, EXIMBANK

E.O. 11652: GDS

TAGS: EAID, BEXP, SY, US

SUBJ: RELATIONSHIP OF POSSIBLE BILATERAL ASSISTANCE PROGRAMS
FOR SYRIA AND US COMMERCIAL SALES TO SYRIA

REF: STATE 220095 (NOTAL)

1. SUMMARY. SARG EFFORT TO EXPAND ECONOMIC CONTACTS
WITH US IS OPENING POTENTIALLY STRONG MARKET FOR US
GOODS AND SERVICES IN SYRIA WHICH COULD INCREASE AMERICAN
EXPORTS TO SYRIA FROM \$25 MILLION AVERAGE OVER PAST
FOUR YEARS TO MORE THAN \$200 MILLION DURING NEXT YEAR.

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WASHINGTON AGENCIES AND EMBASSY NEED INTENSIFY ENCOURAGE-

MENT OF INTEREST IN THIS MARKET SO AS NOT TO LOSE TRADE OPPORTUNITIES AND ALSO TO SUPPORT CLOSER US-SYRIAN RELATIONS IN OTHER FIELDS. END SUMMARY.

2. WITH FORTHCOMING VISIT TO DAMASCUS OCT. 26 BY AID ASSISTANT ADMINISTRATOR NOOTER, THIS MESSAGE PROVIDES OUR COMMENTS ON SARG MINECON IMADI'S DISCUSSIONS IN WASHINGTON (REFTEL) AND RELATIONSHIP OF POSSIBLE BILATERAL ASSISTANCE PROGRAMS FOR SYRIA AND US COMMERCIAL EFFORTS TOWARD THIS MARKET. SOME OF MARKET SECTORS DESCRIBED BELOW MAY WELL BE MORE APPROPRIATE FOR CONSIDERATION UNDER POSSIBLE BILATERAL ASSISTANCE PROGRAMS; OTHERS MAY BE MORE APPROPRIATE FOR PRIVATE US COMMERCIAL EFFORTS OR SOME COMBINATION OF THE TWO. THIS MESSAGE AND DAMASCUS 2394 SHOULD BE READ TOGETHER FOR UNDERSTANDING OUR OVERALL VIEWS ON BOTH POSSIBLE PUBLIC AND PRIVATE INITIATIVES.

3. POSITIVE US PRIVATE SECTOR AND EXIMBANK RESPONSE.

A. TRADE -- SALES TO SYRIA:

AS WE HAVE PREVIOUSLY NOTED, STRONG, LONG-TERM PENT-UP SYRIAN COMMERCIAL DESIRE FOR AMERICAN GOODS AND SERVICES IS IN PROCESS OF BEING UNLEASHED UPON INSTRUCTIONS FROM HIGHEST LEVELS OF SARG. THIS COULD WELL RESULT IN INCREASE IN US SALES TO SYRIA FROM \$25 MILLION PER YEAR TO OVER \$200 MILLION. PROPOSED EARLY NOVEMBER VISIT OF TOP-FLIGHT, MID-WEST AMERICAN BUSINESS LEADERS IS EXCELLENT BEGINNING. THESE AMERICAN BUSINESS REPS., AND OTHERS THROUGHOUT US, SHOULD BE RAPIDLY EDUCATED ON SIZEABLE SALES OPPORTUNITIES IN SYRIA. SOME OF THESE OPPORTUNITIES WHICH WE, US FIRMS AND MINECON IMADI HAVE ALREADY IDENTIFIED ARE:

(1) AEROSPACE:

WIDE-BODIES AND REGULAR AIRCRAFT COULD ACCOUNT FOR \$100 TO -150 MILLION OF PROJECTED \$200 MILLION, WITH SIZEABLE ADD-ONS FOR EXECUTIVE JET
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AIRCRAFT, MILITARY TRANSPORT AIRCRAFT (E.G., C-130S) AND POSSIBLE HELICOPTERS. AIRPORT ELECTRONIC EQUIPMENT IS ALSO IN DIRE NEED. US AIRCRAFT MANUFACTURERS, EMBASSY, AND BEIRUT-BASED CIVIL AIR ATTACHE (RCAA) ALREADY ARE ACTIVELY PURSUING THIS BUSINESS. EXIMBANK AND USDOC SHOULD BE ALERT TO CONTINUING AND FUTURE EFFORTS IN THIS AREA, AND BE READY TO ASSIST AND ENCOURAGE US FIRMS, AND IN PARTICULAR AIRPORT ELECTRONIC

EQUIPMENT FIRMS WHICH, SO FAR AS WE ARE AWARE, ARE
UNAWARE OF SYRIAN MARKET.

(2) OIL EXPLORATION:

THIS SECTOR HAS, FOR MANY YEARS, BEEN BASICALLY
UNTAPPED BY ANY WESTERN OIL FIRMS--MOST PROBABLY
BECAUSE OF FEARS ARISING FROM PREVIOUS SYRIAN NATIONALI-
ZATIONS OF US OIL COMPANY PROPERTIES IN MID-60S. WE
PLAN TO TAKE ADVANTAGE OF NEW SARG POLICIES AND ENCOURAGE
SARG TO PUBLICIZE FURTHER EXPLORATION OPPORTUNITIES IN
SYRIA AND COMMERCIAL/FINANCIAL ATTRACTIONS OF
WESTERN OIL COMPANIES. (QUESTION: CAN STATE/AID/
OPIC ARRANGE INVESTMENT GUARANTIES IN THIS SECTOR
AFTER USG/OPIC-SARG AGREEMENT NEGOTIATED?).

(3) REFINERIES AND PETROCHEMICALS:

SYRIAN PLANS INCLUDE TWO NEW REFINERIES (ONE UNDER
ROMANIAN \$100 MILLION OCT. 1972 CREDIT, 10-YEAR REPAY-
MENT, 2.5 PERCENT INTEREST, PRODUCTION OF 6 TO 8
MILLION M.T. P.A.; AND SECOND UNDER MIXED JAPANESE
OFFICIAL (25 PERCENT OR \$22.5 MILLION, 25-YEAR REPAYMENT,
INCLUDING 7 YEARS' GRACE AT FOUR PERCENT) AND REMAINDER
JAPANESE EXIMBANK CREDIT FOR TOTAL CREDIT OF \$90 MILLION
OUT OF PROJECT TOTAL OF \$120 FOR 2.5 MILLION M.T. P.A),
SARG ALSO PLANS UPGRADING/REPAIRING/ADDING TO EXISTING HOMS
REFINERY-(\$7 MILLION), THERE ARE CURRENTLY DRAWING-BOARD
STUDIES OF PLASTICS PLANT, DETERGENT PLANT, AND LARGE-SCALE
UTILIZATION OF CURRENTLY FLARED GAS FROM SYRIAN CRUDE
PRODUCTION (FEASIBLE ANNUAL PRODUCTION ESTIMATED AT 380 MILLION
CUBIC METERS (C.M.) BASED ON ESTIMATED RECOVERABLE
RESERVES OF 8.5 BILLION C.M.); LUBE BLENDING PLANT
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(MOBIL OIL REPORTEDLY HAS AGREED TO BUILD THIS FACILITY),
AND ONSHORE TANKER-BALLAST CLEANING/REFINING FACILITY
AT BANIAS TERMINAL. US FIRMS WITH LICENSING AGREEMENTS
WITH ROMANIAN OR JAPANESE FIRMS, OR THOSE WISHING TO
CONTACT SARG OIL AUTHORITIES DIRECTLY, SHOULD GET MOVING
AS SARG WANTS AMERICAN EQUIPMENT AND KNOW-HOW.
(THEY SAY THEY ARE TIRED OF LOWER QUALITY EASTERN
EUROPEAN EQUIPMENT. WE DO NOT, HOWEVER, IGNORE
POSSIBILITY THAT POLITICAL REALITIES MAY CONTINUE
COMPEL SARG TO AWARD SOME CONTRACTS TO SOVIET AND EAST
EUROPEAN SUPPLIERS DESPITE HIGHER COST AND LOWER QUALITY.)

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C O N F I D E N T I A L SECTION 2 OF 2 DAMASCUS 2395

(4) TELECOMMUNICATIONS:

NOOTER PROMISED MINECON IMADI HE WOULD LOOK INTO USG FINANCING OF SATELLITE COMMUNICATIONS GROUND STATION, WHILE ALSO NOTING THIS TYPE OF PROJECT MIGHT BE FINANCED BY PRIVATE SECTOR. WE BELIEVE STATE/AID/USDOC SHOULD DIRECT ATTENTION OF US PRIVATE SECTOR TOWARD THIS PROJECT. WE BELIEVE WE CAN INFLUENCE SARG TOWARD US PRIVATE SECTOR GIVEN OUR WORLDWIDE REPUTATION OF LEADERSHIP IN THIS FIELD. WE BELIEVE GROUND STATION IS EMINENTLY SUITABLE PROJECT FOR FOREIGN EXCHANGE FINANCING BY SYRIA'S OIL-RICH ARAB SUPPORTERS, OR AS FIRST EXIMBANK RE-ENTRANCE ONTO SYRIAN SCENE. (WE ARE OPTIMISTIC RE SUCCESSFUL COMPLETION OF NEGOTIATION OF SMALL EXIMBANK \$81,000 CLAIM AGAINST SARG WHICH WILL PUT EXIM IN POSITION

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TO SUPPORT ITT, HUGHES AND OTHER US FIRMS.) ADDITIONAL AREAS FOR US FIRMS' ATTENTION ARE MOBILE AND FIXED RADIO EQUIPMENT, GOVERNMENT TV AND RADIO EQUIPMENT AND PTT MICROWAVE AND OTHER INTERNAL COMMUNICATIONS NETWORKS.

(5) IRON AND STEEL MILL:

THIS COULD BE AREA FOR FURTHER USG-SUPPORTED (AID, OPIC) FEASIBILITY STUDY OR FOR STUDY BY US FIRM COMMISSIONED DIRECTLY BY SARG. WE WILL TRY DEVELOP MORE INFORMATION, E.G., WHAT IS SCOPE OF RECENTLY ANNOUNCED NORTH KOREAN/SARG AGREEMENT ON NORTH KOREAN STUDY OF SYRIAN IRON ORE DEPOSITS?

(6) SUGAR MILL:

SIMILARLY, WE NEED MORE INFORMATION, BUT WE WOULD ALSO LIKE TO ADD THIS PROJECT (HOPEFULLY WITHOUT BEING TOO PRESUMPTUOUS RE UAE FINANCING) TO SCHOLARSHIPS AND AGRICULTURAL TECHNICAL TRAINING INSTITUTE FOR CONSIDERATION BY ABU DHABI. ALTERNATIVELY, USG LOCAL CURRENCY/UAE FOREIGN EXCHANGE FINANCING MIGHT BE HARNESSSED AS END-RESULT OF IBRD AND BILATERAL LAND RECLAMATION/SUGAR PRODUCTION SCHEMES. WE HAVE NOT BEEN ABLE TO IDENTIFY WHAT MINECON IMADI HAD IN MIND WHEREBY AID FINANCING COULD "COME IN ON" ALREADY INTIMATED POLICH FINANCING FOR THIS PROJECT.

(7) BANKING RELATIONSHIPS:

MANY US BANKS ALREADY HAVE GROWING CORRESPONDENT BANK RELATIONSHIP WITH STATE-OWNED MONOPOLY COMMERCIAL BANK OF SYRIA (CBS). SCOPE OF FUTURE US BANK ACTIVITY IN SYRIA SHOULD BE DIRECTED TOWARD: (A) US-BANK FINANCED TRAINING PROGRAMS IN US OR SYRIA; (B) JOIN WITH SYRIAN OVERSEAS BANKING FACILITY, UNION OF ARAB AND EUROPEAN BANKS (UBAF) IN NEW YORK; AND (C) ESTABLISHING US-SYRIAN BANKING FACILITY IN RAPIDLY EXPANDING "FREE TRADE ZONES" IN SEVERAL LOCATIONS IN SYRIA
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(LATTER ZONES MAY WELL BE AREA ALSO FOR US PRIVATE CAPITAL INVESTMENT). BANKING, STATISTICS AND GOVERNMENT FINANCE SECTOR ALSO PRESENT CONSIDERABLE OPPORTUNITIES FOR USG ASSISTANCE IN FORM OF IRS OR CENSUS BUREAU TRAINING PROGRAMS. (EITHER FORD FOUNDATION, IMF, OR

SPECIALIZED ABU DHABI TRAINING GRANTS MIGHT ALSO BE SOUGHT IN THIS SECTOR.) PRESENT DEARTH OF SARG COMPUTER CAPABILITY IS ALSO IMPORTANT RELATED AREA.

(8) HOSPITALS AND MEDICAL EQUIPMENT:

AMERICAN KNOW-HOW AND EQUIPMENT IN THIS SECTOR HAVE DEFINITE PSYCHOLOGICAL LEG UP ON COMPETITORS GIVEN SYRIAN BELIEF THAT AMERICAN SOURCES ARE THE BEST. MARKET POTENTIAL IS AT LEAST \$60 MILLION OVER NEXT FEW YEARS AS SARG IS EMPHASIZING UPGRADING AND EXPANSION OF MEDICAL SERVICES THROUGHOUT THE COUNTRY.

B. SYRIAN SALES TO US:

PRIVATE SYRIAN BUSINESSMEN, OR THOSE SEMI-PRIVATE ENTREPRENEURS DEALING THROUGH PUBLIC SECTOR ENTITIES, ARE EAGER TO DEVELOP SALES TO US MARKET FOR SYRIAN TEXTILE PRODUCTS (TOWELS, UPHOLSTERY, CURTAINS, BED COVERS, EMBROIDERED TABLECLOTHS AND NAPKINS, KNITTED WEAR) AND ALSO SYRIAN TOBACCO.

THESE AREAS OF EXPORTS TO US MAY WELL RUN INTO US IMPORT/TRADE RESTRICTIONS. WE NEED TO RESPOND TO SYRIAN DESIRES IN THIS REGARD, HOWEVER, AND SPELL OUT WHAT WE CAN DO TO HELP SYRIAN EXPORTS TO US AND WHICH AREAS PRESENT PROBLEMS FOR US (HOPEFULLY ON GLOBAL BASIS AND NOT DIRECTED JUST TOWARD SYRIA OR MIDDLE EAST COUNTRIES).
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